

## ENCOURAGING CHARITABLE GIVING AND SUPPORTING PUBLIC ACCESS TO THE ARTS

Like thousands of nonprofit arts, education, human services, and other community organizations, more than 1,600 American orchestras are classified as 501(c)(3) tax-exempt organizations. This exemption and the tax incentive to give private donations are essential for orchestras and other charitable organizations to serve community needs.

### ACTION NEEDED

#### *We urge Congress to:*

- *Enact S. 618/H.R. 1704 to expand and extend the universal charitable deduction that encourages all taxpayers to give more during these challenging times and as the nation recovers and rebuilds.*
- *Support further policies that will strengthen the nonprofit arts community by passing the Legacy IRA Act, S. 243.*

### TALKING POINTS

- **Orchestras and other nonprofit arts organizations are an essential part of the broader community of approximately 1.6 million nonprofit 501(c)(3) organizations, working alongside hospitals, educational institutions, food assistance programs, and the full array of charitable organizations.** In recognition of their benefit to the public good, contributions made to 501(c)(3) nonprofits have been tax-deductible since 1917.
- **Tax policy changes directly impact nonprofit services and U.S. jobs.** With essential support from charitable donations, the nonprofit sector boosts local economies and employs roughly 10 percent of America's workforce. The nonprofit sector contributes \$1 trillion in services every year and supports 11.4 million jobs.
- **Ticket sales and admission fees alone do not come close to subsidizing the artistic presentations, educational offerings, and community-based programming of orchestras.** Before the onset of the pandemic, approximately 40% of financial support for orchestras is derived from charitable giving.
- **Orchestras and other arts nonprofits rely on charitable gifts from donors across the economic spectrum.** Donations of all sizes add up to an essential investment that enables nonprofit arts organizations to respond to public needs and form community partnerships through education, artistry, economic development, and social service programs.
- **Under comprehensive tax reform legislation enacted in 2017, incentives for charitable giving were reduced, and taxpayers claiming the charitable deduction declined.** The drop in the number of taxpayers eligible to claim the charitable deduction accelerated an already troubling trend of fewer Americans making charitable donations. While the initial charitable impulse to give comes "from the heart," history has shown that tax law impacts what, when, and how much donors give.
- **In the March 2020 CARES Act, Congress enacted a \$300 charitable deduction for cash gifts from all taxpayers for 2020, whether or not they itemize their returns. Since then, the**

**amount of charitable giving--especially of gifts less than the \$300 cap--has seen a significant increase.** This Universal Charitable Deduction was extended through 2021 and the cap was raised to \$600 for joint filers. Congress can support increased charitable giving by expanding and extending the Universal Charitable Deduction.

- **Giving can further grow by building on the success of the IRA Charitable Rollover provision.** The IRA Charitable Rollover provision allows individuals to make direct tax-free charitable gifts up to \$100,000 from their IRA starting at age 70 ½. The Legacy IRA Act would allow seniors starting at age 65 to make tax-free IRA rollovers to charities through charitable gift annuities or charitable remainder trusts.
- **Donated works of art are critical to building and maintaining collections at our nation's art institutions.** Deductions for gifts of property worth over \$5,000 require an independent appraisal to ensure proper valuation.
- **The nonprofit sector is committed to high standards of governance and accountability, and it should be protected from unnecessary requirements that divert resources from essential nonprofit services.** As further tax policies are crafted, Congress must ensure that provisions related to nonprofit administration and reporting requirements do not inhibit service to communities.

## BACKGROUND

**Reaching the Full Potential of the Charitable Deduction:** While the comprehensive tax reform law enacted in 2017 preserves the charitable deduction for those who itemize their tax returns, the number of itemizers has fallen dramatically as the standard deduction was nearly doubled under tax reform. Nonprofit arts organizations, along with the broader nonprofit and philanthropic communities, have joined together in urging Congress to reinstate and expand tax incentives for charitable giving by creating a universal charitable deduction, available to those who do not itemize their tax returns. The Center for Civil Society Studies at Johns Hopkins University estimates around 930,000 jobs--7.3% of the charitable sector workforce--were lost in 2020, underscoring how difficult the year was for the philanthropic sector. Congress can help alleviate some of the difficulties the sector is facing by enacting the Universal Giving Pandemic Response and Recovery Act (S. 618/H.R. 1704), led by a bipartisan, bicameral group of lawmakers, including Sens. James Lankford (R-OK), Chris Coons (D-DE), Mike Lee (R-UT), Jeanne Shaheen (D-NH), Tim Scott (R-SC), Amy Klobuchar (D-MN), Susan Collins (R-ME), and Catherine Cortez Masto (D-NV) and Reps. Chris Pappas (D-NH) and Jackie Walorski (R-IN). The legislation would raise the \$300/\$600 cap to roughly \$4,000 for individuals/\$8,000 for couples, extend the availability of the deduction to the 2022 tax year, and eliminate the current exclusion of gifts to donor-advised funds, helping to spur even more giving as communities continue to fight and recover from COVID-19 and its economic effects.

**Growing Giving through the Legacy IRA Act:** The bipartisan Legacy IRA Act (S. 243), introduced by Sens. Kevin Cramer (R-ND) and Debbie Stabenow (D-MI), would expand the IRA Charitable Rollover to allow seniors aged 65 and older to make tax-free distributions to charities through life-income plans. This would provide a guaranteed income for the senior for life and supports charities without negatively affecting federal tax payments since the senior's annual retirement income from the life-income plan is fully taxed. Congress can easily increase charitable giving from middle-income seniors by passing the Legacy IRA bill.